

# NSL FOODS NSL TB

THAILAND / FOOD & BEVERAGE

**BUY**  
 UNCHANGED

## Many stories supporting growth

- Revising up 2024-26E net profit by 14-20% and expect 2H24 to reach a new high.
- NSL extended its contract with CPALL until 2031 and plans to increase production capacity by 56% in 2026.
- Reiterate BUY call with a new TP of THB43, based on ESG-adjusted P/E multiplier.

TARGET PRICE	THB43.00
CLOSE	THB29.75
UP/DOWNSIDE	+44.5%
PRIOR TP	THB36.00
CHANGE IN TP	+19.4%
TP vs CONSENSUS	+21.1%

## KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	4,793	5,743	6,592	7,509
Net profit	333	523	591	673
EPS (THB)	1.11	1.74	1.97	2.24
vs Consensus (%)	-	7.3	4.0	3.0
EBITDA	557	789	918	1,049
Recurring net profit	333	523	591	673
Core EPS (THB)	1.11	1.74	1.97	2.24
Chg. In EPS est. (%)	-	20.5	16.4	14.3
EPS growth (%)	12.1	56.9	13.1	13.7
Core P/E (x)	26.8	17.1	15.1	13.3
Dividend yield (%)	2.2	3.4	3.8	4.4
EV/EBITDA (x)	16.1	11.2	9.6	8.3
Price/book (x)	5.7	5.0	4.4	3.9
Net debt/Equity (%)	1.4	(6.0)	(5.2)	(10.4)
ROE (%)	22.5	31.3	31.0	31.0

## NSL aims for double-digit growth in 2024-25 revenue

Management aims for 2024 revenue growth of 19% y-y and has set a growth target of no less than 15% y-y for 2025. Key drivers are 1) growth in line with 7-Eleven through both branch expansions and continuous new product launches; and 2) fostering growth through subsidiaries such as BAW (cake and bakery), NSL Intertrade (exports), and NSL Inno Foods (cheese products) to increase the contribution of non-7-Eleven revenue to 30% from the current 10% of total revenue. We believe there is a chance to achieve the targets if the company succeeds in expanding into international markets, which would provide an upside to our estimates.

## Expanding the production capacity to grow alongside 7-Eleven

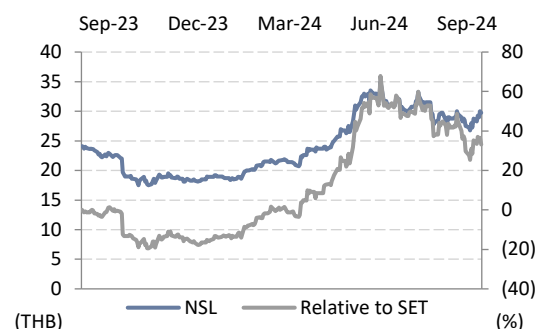
NSL is currently expanding its hot sandwich production capacity by 56% to 1.9 million pieces/day. The current capacity is sufficient for another 2 years, with the new capacity expected to be completed by mid-2026 to align with 7-Eleven's business expansion and to accommodate the growth of the NSL brand and other non-7-Eleven clients. Recently, NSL extended its contract with CPALL until 2031, up from the previous 2026.

## Expect 3Q24 to hit a new high, contrary to the low season

We anticipate that 3Q24 core profit could reach a new high of THB136m (+1% q-q, +86% y-y), in opposition to seasonality, as NSL will stop recognizing losses from Pen 1 after withdrawing the investment in 2Q24. The new product, Egg Tart Sandwich, has received very positive feedback. However, butter prices have increased by 35% YTD, while cheese prices have decreased by 1.7% y-y. In our sensitivity analysis, a 10% increase in butter prices, all else being equal, would result in 2025 net profit falling by 4.7%. However, NSL has locked in raw material prices for the next six months in advance, and we expect the 2H24 gross margin to be close to 1H24.

## Reiterate BUY call with higher TP of THB43

We have increased our 2024-26E net profit by 20.5%/16.4%/14.3%, reflecting a growth rate of 57%/13.1%/13.7%, respectively. We roll forward our TP to 2025 at THB43. We have lowered our target P/E (ESG adjusted) to 22x from 25x, adopting a more cautious view on social risk aspects. Currently, the share price trades at 2024E-25E P/E multiples of 17x and 15x, respectively, below -1 SD. Therefore, we maintain BUY.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	8.2	(9.2)	23.4
Relative to country (%)	(3.5)	(15.5)	33.9
Mkt cap (USD m)	266		
3m avg. daily turnover (USD m)	1.2		
Free float (%)	0		
Major shareholder	Mr. Somchai Asavapiyanon (72%)		
12m high/low (THB)	35.00/17.30		
Issued shares (m)	300.00		

Sources: Bloomberg consensus; FSSIA estimates



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### Investment thesis

Besides growth in tandem with 7-Eleven, NSL continues to launch new bakery products to create a good impression and cope with rapidly changing consumer needs. It also plans to raise non-7-Eleven revenue to diversify dependency risks by introducing branded snacks and entering the food services business. In its latest move, NSL has invested in three subsidiaries, Bake A Wish, NSL Intertrade, and NSL Inno Foods, to further its future growth.

### Company profile

NSL is a manufacturer and distributor of bakery products, appetizers (under CPALL brands, such as EZY Taste, EZY Sweet, and 7 Fresh), and snacks (under NSL brands). It is also in the food services business covering seafood, fish, meats, and frozen vegetables. NSL earns its revenue mainly from domestic sales, with CPALL as its key account. Moreover, it sells food services products to the HoReCa market and other modern trade distributors. It currently has four factories in Chonburi and Nontaburi.

[www.nslfoods.com](http://www.nslfoods.com)

### Principal activities (revenue, 2023)

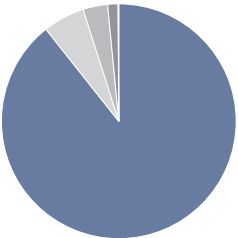
Bakery and appetizers - 89.3 %

Food Services - 5.8 %

Snack (NSL brand and BAW) - 3.4 %

OEM & bread wastes - 1.4 %

Franchise fees and others - 0.1 %

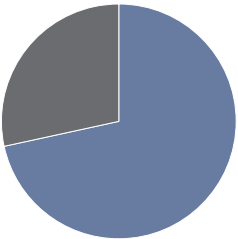


Source: NSL Foods

### Major shareholders

Mr. Somchai Asavapiyanon - 71.6 %

Others - 28.4 %



Source: NSL Foods

### Catalysts

Potential catalysts for NSL’s earnings growth in 2024-25 are 1) revenue growth driven by new product launches and a tourism recovery; 2) new 7-Eleven branch expansions; and 3) a decline in raw material costs that should offset higher utility costs.

### Risks to our call

Downside risks to our DCF-based TP include 1) a slower-than-expected consumption recovery; 2) high volatility in raw material prices; 3) the failure of new products; and 4) changing consumer demand and lifestyles.

### Event calendar

Date	Event
November 2024	3Q24 results announcement

### Key assumptions

	2024E	2025E	2026E
Total revenue (THB m)	5,743	6,592	7,509
Revenue growth (%)	19.8	14.8	13.9
Gross margin (%)	20.5	20.3	20.4
SG&A to sales (%)	9.5	9.4	9.5

Source: FSSIA estimates

### Earnings sensitivity

- For every 1% increase in revenue, we estimate 2025 net profit to rise by 0.9%, and vice versa, all else being equal.
- For every 0.5% increase in GPM, we estimate 2025 net profit to rise by 5.2%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A to sales, we estimate 2025 net profit to fall by 5%, and vice versa, all else being equal.

Source: FSSIA estimates

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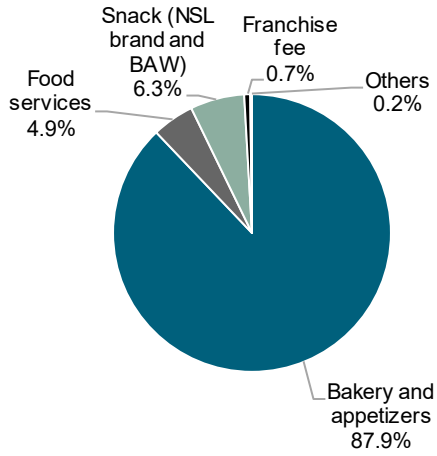
FINANSIA

9 SEPTEMBER 2024

Update on the overall business

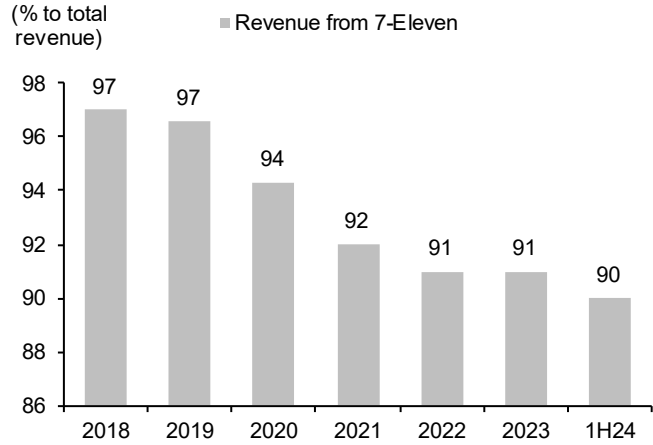
NSL entered the frozen food business in 2003 under the name Dough Maker and began supplying hot sandwiches to 7-Eleven starting in 2009. The company was listed on the stock market in 2021. As of 1H24, NSL's main revenue sources are bakery products and appetizers at 87.6% of total revenue, followed by NSL brands (including Bake A Wish (BAW)) at 6.3%, food services at 4.8%, and others at 1.3%. The primary customer remains 7-Eleven, contributing c90% of total revenue, similar to the period before the company listed on the SET.

Exhibit 1: Revenue contribution by segment in 1H24



Sources: NSL, FSSIA's compilation

Exhibit 2: Revenue contribution from 7-Eleven



Sources: NSL, FSSIA's compilation

Over the past three years, NSL has made the following developments;

Exhibit 3: Details of the companies NSL has invested in over the past three years

Established (date)	Company	Type of company	NSL's stake (%)	Business	Current Status
16 Jan 23	Pen1 F&B	Associate	33.33	Produces and sells beverages	Withdrawn
9 May 23	NSL Intertrade	Subsidiary	79.99	Distributes products overseas	Operating
9 Aug 23	NSL Bake A Wish	Subsidiary	59.99	Operates café and produces bakery products	Operating
10 May 24	NSL Inno Foods	Subsidiary	78.99	Produces innovative products	Operating

Sources: NSL; FSSIA's compilation

Note that on 6 August, NSL resolved to withdraw its investment in the joint venture Pen1 F&B and has recorded an impairment in the 2Q24 financial statements.



Exhibit 4: Example products – bakery products for 7-Eleven



Sources: NSL, FSSIA's compilation

Exhibit 6: Example products – desserts for 7-Eleven



Sources: NSL, FSSIA's compilation

Exhibit 8: Food service business



Sources: NSL, FSSIA's compilation

Exhibit 5: Example products – NSL brands



Sources: NSL, FSSIA's compilation

Exhibit 7: Example products – rice bars (NSL brand)



Sources: NSL, FSSIA's compilation

Exhibit 9: Example products – Overseas market (NSL brand)



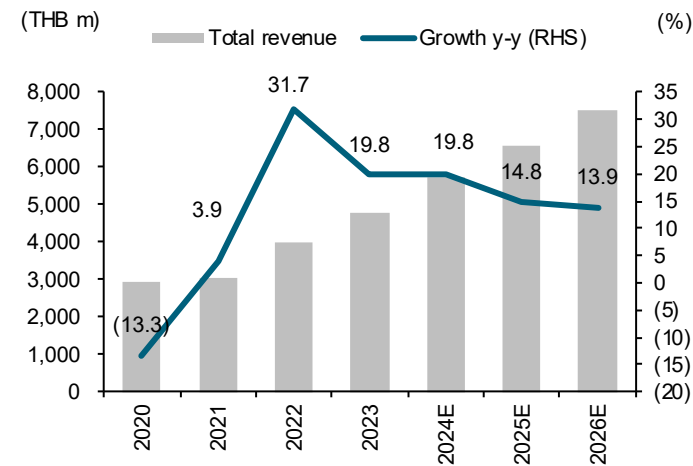
Sources: NSL, FSSIA's compilation

NSL targets revenue growth of c15% per year

Management maintains 2024 total revenue growth of 19% y-y. In 1H24, its revenue growth exceeded this target at 22% y-y. NSL is currently preparing its budget for the next year and initially targets revenue growth of no less than 15% y-y for 2025. If achieved, this would push revenue beyond THB6b, aligning with the target set during the IPO. NSL also aims to increase the contribution of non-7-Eleven revenue to 30% of total revenue, up from the current 10%.

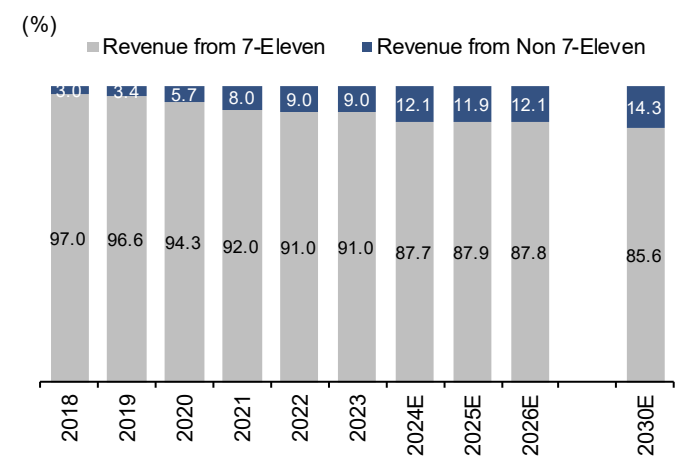
While revenue from 7-Eleven is expected to continue growing well, we forecast it to grow at no less than 14.4% CAGR over the next three years, following a growth rate of 16.5% CAGR from 2020-23. This indicates that NSL needs to achieve significant growth in non-7-Eleven revenue to meet its target and reduce dependence on a single major customer. This presents a considerable challenge. However, we expect the revenue contribution from non-7-Eleven sources to increase to 12% by 2026, up from 9% in 2023.

Exhibit 10: Projected total revenue and growth



Sources: NSL, FSSIA estimates

Exhibit 11: Projected revenue contributions by customer



Sources: NSL, FSSIA estimates

Exhibit 12: NSL brand’s product portfolio and customers



Source: NSL

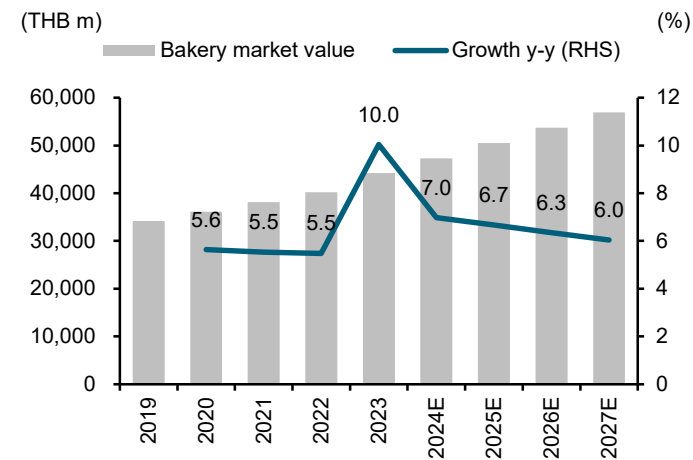
### Thai bakery market trend continues to grow

According to data from the National Food Institute of the Ministry of Industry, the bakery market in Thailand has grown at an average rate of 6.7% CAGR over the past five years, reaching a market value of THB44b in 2023, up from THB34b in 2019. Sliced bread holds the largest market share, accounting for 30% of the total market.

Regarding market players, Farmhouse leads with a market share of 20.5% as of 2023, followed by CPRAM, including the Le Pan brand, with a combined market share of 14.9%, and S&P with 4.2%. The combined market share of these four brands stands at around 39.6%, with numerous other competitors also present in the market. Although NSL's brand is not mentioned in the market share data due to its primary revenue being from products produced under the 7-Eleven brand and a relatively small proportion of revenue under NSL's own brand, NSL remains a significant player. For NSL's total revenue in 2023, which stood at about THB4.8b, it represents growth of 9.2% CAGR over the past five years, surpassing the industry average, and accounted for 10.8% of the total bakery market in Thailand.

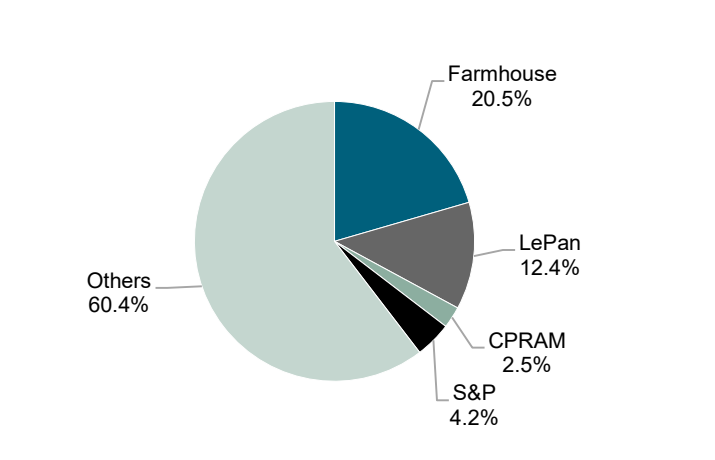
The bakery market value is forecast to grow by 7% y-y in 2024 and is expected to continue growing at an average rate of 6.4% CAGR over the next four years, according to the National Food Institute. The growth drivers include: 1) recovery in purchasing power to pre-COVID levels; 2) a tourism recovery, with international tourists reviewing NSL products, particularly hot sandwiches, on social media; and 3) increasing the consumption of bakery products by Thais, both as meal replacements and due to tasty and appealing products. The heightened competition has also led to continuous product innovation and easier availability. For NSL's revenue in 2024, we expect 19.8% y-y growth (with 22% y-y growth in 1H24) and forecast continued growth of around 14% CAGR over the next three years.

Exhibit 13: Thai bakery market value and growth



Sources: National Food Institute, FSSIA's compilation

Exhibit 14: Thai bakery market share



Sources: National Food Institute, FSSIA's compilation



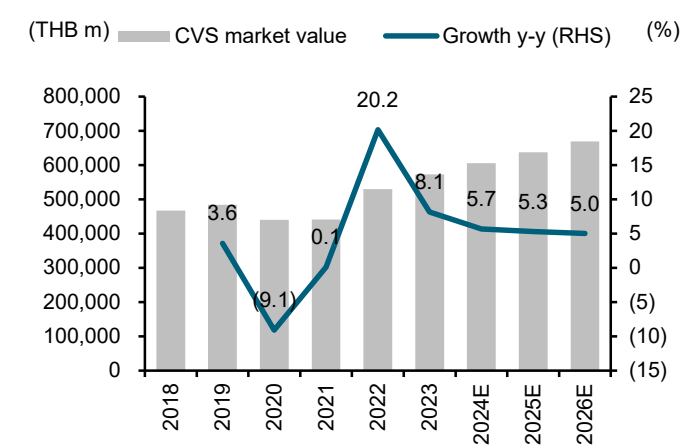
### Thai CVS market value is expected to grow at 5% CAGR

According to data from Statista, the convenience store (CVS) market value in Thailand was THB573b in 2023, growing at an average rate of 14% CAGR over the past three years, partly due to the impact of COVID. Prior to the pandemic, the market grew at a rate of 4.3% CAGR over the previous five years, which aligns with CPALL's revenue growth for 7-Eleven stores, with growth rates of 17.3% CAGR over three years and 4.6% CAGR over five years, respectively.

In terms of numbers of branches, 7-Eleven holds the highest market share at 72% in 2023, followed by Lotus's at 10.2%, Mini BigC at 7.7%, CJ Express at 4.2%, and Tops Daily at 2.6%.

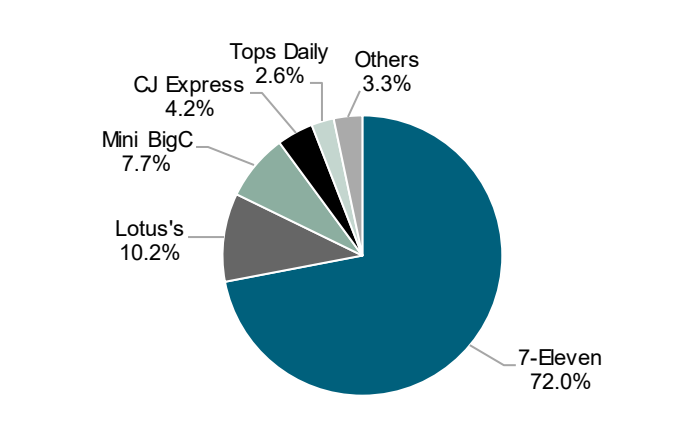
The convenience store market is expected to grow at 5% CAGR over the next three years (2024-26), according to Statista, reaching THB670b in 2026, which is in line with FSSIA's forecast of 6.5% CAGR growth for CPALL's 7-Eleven stores during the same period.

Exhibit 15: Thailand CVS market value and growth



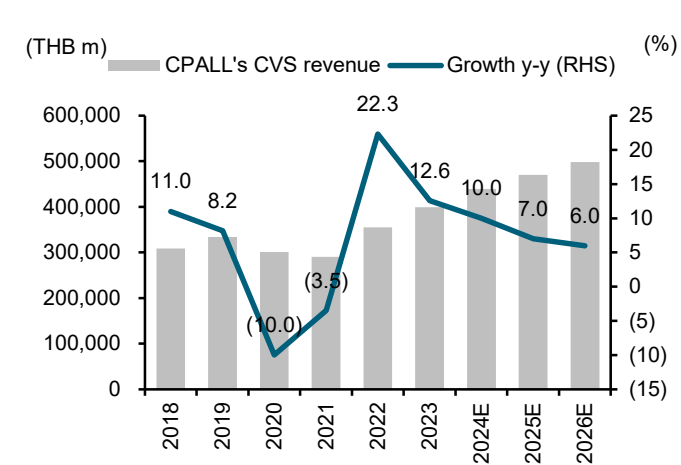
Sources: Statista, FSSIA's compilation

Exhibit 16: Thailand CVS market share



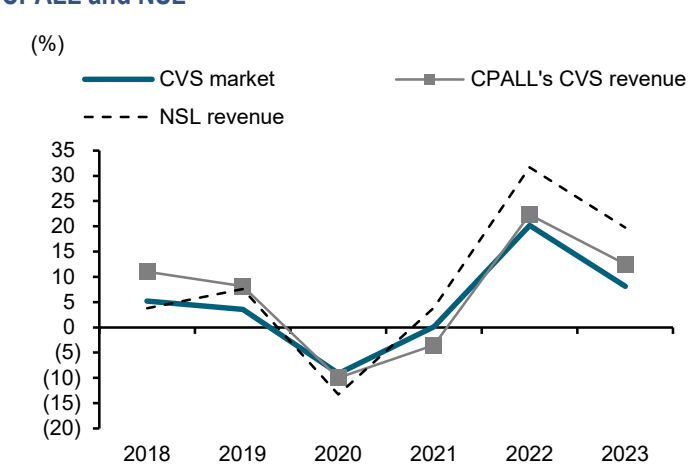
Sources: Statista, FSSIA's compilation

Exhibit 17: Projected CPALL CVS revenue by FSSIA



Sources: CPALL, FSSIA estimates

Exhibit 18: CVS market growth and revenue growth from CPALL and NSL



Sources: Statista, CPALL, NSL, FSSIA's compilation

### An expansion plan for hot sandwich factory and food services

NSL has announced a plan to expand its hot sandwich production capacity by c56%, increasing from 1.2 million pieces per day to 1.9 million pieces per day. The current production capacity, operating at around 60-65% utilization, is expected to support production for the next two years. Therefore, management has decided to expand production at the existing Amata City facility, involving the construction of new buildings and the installation of machinery. The expansion is expected to be completed and commercially operational by mid-2026.

The objective of this production expansion is partly to align with the growth plans of its major client, 7-Eleven, which continues to expand its branches domestically as well as in Cambodia and Laos. In addition, the company aims to support the growth of the snack segment, including both NSL brands and BAW. The initial investment for this expansion is estimated at around THB700m, with additional depreciation expected to be recognized starting in 4Q26 and fully reflected in 2027, amounting to about THB35m/year or 0.5% of total revenue. However, this expansion is anticipated to boost revenue growth, helping to offset the impact of the increased depreciation.

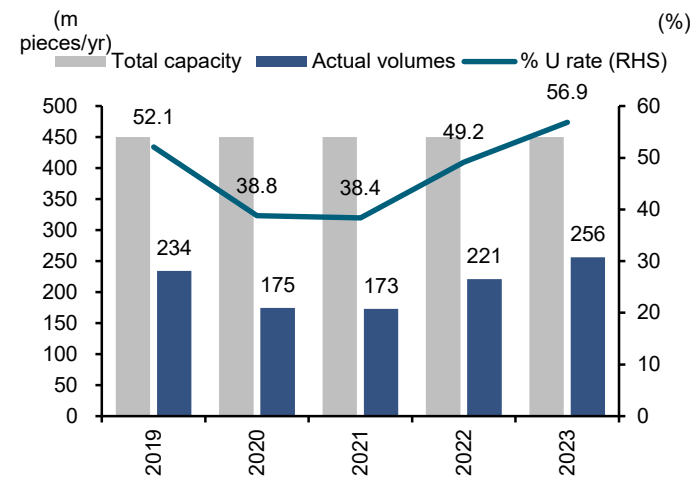
In the short term, NSL is constructing a food services facility in Bangna with an investment of up to THB50m. This leased facility is set to be completed and operational by 4Q24. It will be used for the processing and packaging of seafood, imported meat, and frozen vegetables to support the expansion of its food services market, which represents about 4.8% of total revenue as of 1H24. The existing warehouse in Nonthaburi is already operating at full capacity.

Exhibit 19: NSL production plants and capacity utilization rate

Factory	Location	Product	Capacity (per day)	Utilization rate in 2023 (%)
Branch 1	Amata City Industrial Estate, Chonburi	Bakery products	450,000 m pieces	56.9
Branch 2	Amata City Industrial Estate, Chonburi	Bakery products	800,000 m pieces	56.9
Branch 3	Bang Bua Thong, Nonthaburi	Burger meat toppings	20,000 pieces	65.4
		Bakery fillings	1,000 kg	--
		Meat and seafood processing	1,000 kg	57.2
Branch 4	Bang Bua Thong, Nonthaburi	Office and warehouse (food services)	195 tonnes	100.0

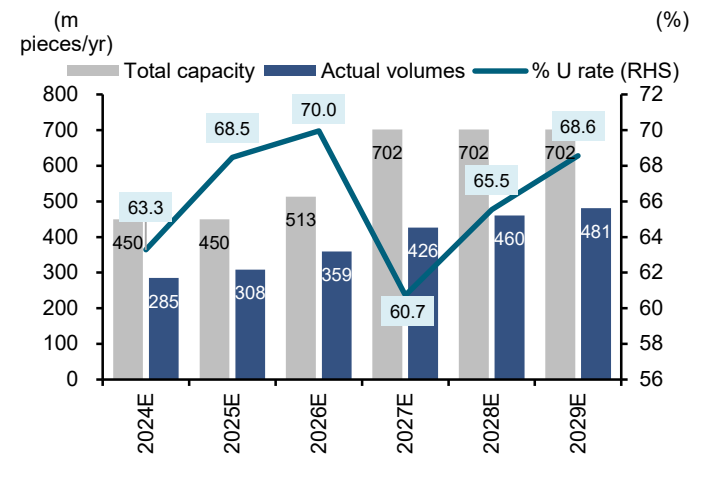
Sources: NSL; FSSIA's compilation

Exhibit 20: Total capacity and utilization rate in 2019-23



Sources: NSL, FSSIA's compilation

Exhibit 21: Projected utilization rate in 2024-29



Sources: FSSIA estimates



## Withdrawing one associate company, holding three subsidiaries

### #1: The subsidiary BAW has started to show positive results

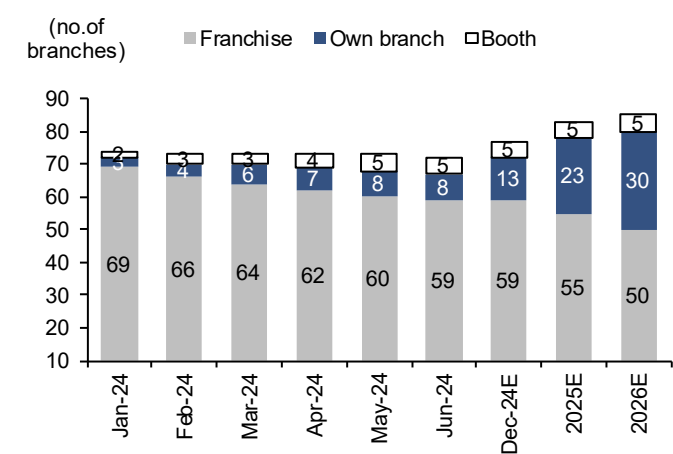
NSL invested in its subsidiary NSL Bake A Wish (BAW) in August 2023, acquiring a 59.99% stake. Revenue is recognized through three main channels: 1) revenue from the production and sale of NSL x BAW products in 7-Eleven stores; 2) revenue from the production and sale of cakes to BAW branches; and 3) franchise fees.

Currently, the main source of revenue is from selling BAW bakery products in 7-Eleven stores, amounting to THB60m per quarter, or around 4% of total revenue. Franchise fee revenue is relatively small at THB3m per quarter, or 0.2% of total revenue. As of the end of 2Q24, the number of franchise branches had decreased to 59 from 69 in January 2024. However, the company has opened 5 new branches of its own, bringing the total to 8 branches, and has set up 5 additional booths, resulting in a total of 77 branches by the end of 2Q24, down from 80 in January 2024. Management plans to open 10 more of its own branches in 2024.

We maintain a neutral view on the expansion of BAW branches, as it does not significantly impact revenue and profit. Opening new branches incurs costs related to rent and staffing. In addition, the bakery and café sector are highly competitive, and there could be further reductions in franchise branches.

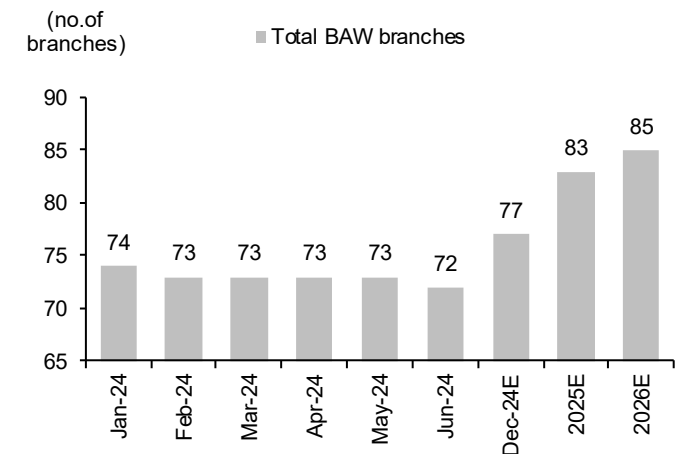
We prefer the strategy of selling NSL x BAW products in 7-Eleven. The BAW brand is already well-known in the market, and NSL's expertise in producing uniquely flavored products through continuous R&D is a strength. Currently, the company has an R&D team of about 88 people (3% of total employees), divided into two teams (7-Eleven and Brand & Food Service). NSL's R&D expenses average 0.3% of total revenue per year. This approach has demonstrated clear revenue generation and strong growth potential. We expect the revenue from NSL brands (BAW) to grow at 20% CAGR over the next three years, surpassing the overall revenue growth.

Exhibit 22: Total number of Bake A Wish branches



Sources: NSL, FSSIA estimates

Exhibit 23: Type of BAW branches



Sources: NSL, FSSIA estimates

## Exhibit 24: NSL Selection x BAW

**NSL SELECTION X BAKE A WISH**

**กลยุทธ์ปี 2024**  
เพิ่มโอกาสทางการขายโดยการทำตลาด B2C & B2B  
ด้วยจุดแข็งของ 2 บริษัท NSL & NSL-BAW  
RETAIL MARKET & HORECA MARKET

**RETAIL MARKET:**

**CHILL BAKERY**

- ความพร้อมด้านการผลิตและแบรนด์ที่แข็งแกร่ง
- การทำกิจกรรมทางการตลาด
- การคัดสรรด้านผลิตภัณฑ์จากทาง Bake A Wish

**All Stores**  
Minimal Korean Cheesecake Concept

กลุ่ม Jerry Cheesecake

กลุ่ม Daisy Cake

**ตู้เค้กพรีเมียม**  
Level Up + NPD

กลุ่มเค้กปอนด์

กลุ่มเค้กแต่งหน้าสัตว์

กลุ่มเค้กฟอยล์ทรงสูง

**Pre Order**  
Level Up + NPD

Concept: Festival & Celebration

Concept: Seasonal Fruit Flavor

**HORECA MARKET:**

- เพิ่มโอกาสทางการขาย กลุ่ม HoReCa

Hotel Restaurant Catering

**makro**  
คู่คิดธุรกิจคุณ

MARRIOTT BONVOY

IHG

WORLD OF HYATT

9 FREE APPLICATION

BAO CAFE

**NSL FOODS**  
The Happy Taste Creator

Source: NSL

## #2: Overseas may help unlock growth in the future

Management has provided an update on the plan to expand into overseas markets through its subsidiary NSL Intertrade. Since 4Q23, NSL has been testing the market with both self-produced and trading products, including Coconut Crispy Roll, Thai Dessert Retort Cup, Cannes Sweet Corn, and Sticky Rice. In 2Q24, products have been sent to over 230 customers, with around 41 potential customers including China, Hong Kong, Malaysia, the Philippines, Australia, the UAE, EU, and US.

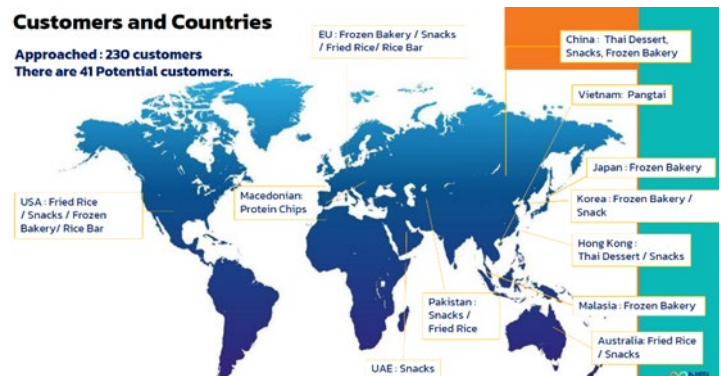
Currently, there has not been significant revenue growth as the company is still in the marketing phase. These international efforts have not yet been included in our forecasts. Currently, we view this strategy as challenging due to the high competition among Thai companies exporting food and beverages abroad. However, the relatively large market still presents opportunities for NSL to penetrate, provided the company can find the right product champion. Success in this area could unlock long-term growth and help achieve the goal of increasing the contribution of non-7-Eleven revenue as planned, potentially presenting an upside to our forecasts. We will continue to monitor for further developments.

## Exhibit 25: Overseas products in 2024



Source: NSL

## Exhibit 26: Potential countries for overseas products



Source: NSL

#3: Starting to expand into upstream business through NSL Inno Foods

NSL has begun expanding its investments upstream. Most recently, in May 2024, the company invested THB50m to acquire a 78.99% stake in its subsidiary, NSL Inno Foods. The objective is to produce and distribute food and food ingredients, with the first product line being cheese. The factory is located near NSL’s plant in Amata City, with a maximum cheese production capacity of 120 tonnes/month, or 1,440 tonnes/year. The factory started operating in July 2024 and is currently working on increasing its external customer base. The cheese produced will be used both for NSL’s new products (with existing products still ordered from current suppliers to maintain the original recipes) and for external sales. In the medium to long term, we view this investment positively for NSL’s management of raw material costs. Besides cheese, there may be future developments in other raw materials as well.

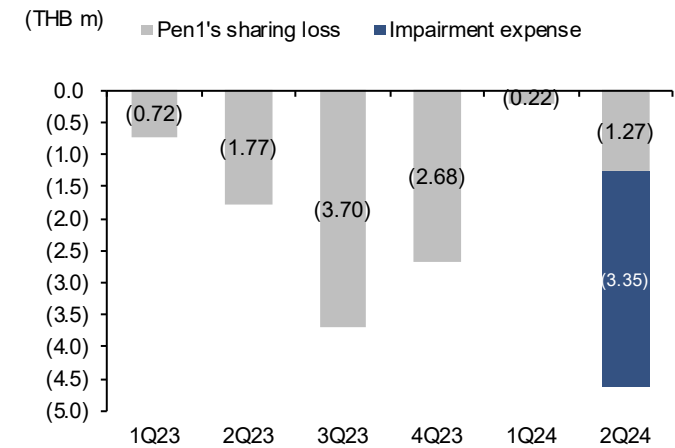
#4: Withdrawing investment in Pen1 F&B

NSL invested in the joint venture Pen1 F&B in January 2023, acquiring a 33.33% stake with an investment of THB15m. The venture involved the sale of a beverage brand called “Pen Tor” over the past six quarters (1Q23-2Q24). During this period, NSL recognized a share of losses amounting to THB10m, which was about 2% of total profit. As a result, NSL decided to divest from Pen1 F&B in August 2024 and has already recorded an impairment loss of THB3.3m in 2Q24. The divestment is expected to be completed within 2H24, and the company will stop recognizing losses from Pen1 starting from 3Q24. Although this investment has been unsuccessful for NSL, we view the company’s prompt exit to cease further losses positively.

Exhibit 27: NSL Inno Foods’s products



Exhibit 28: Pen1 F&B’s loss sharing



Source: FSSIA's compilation

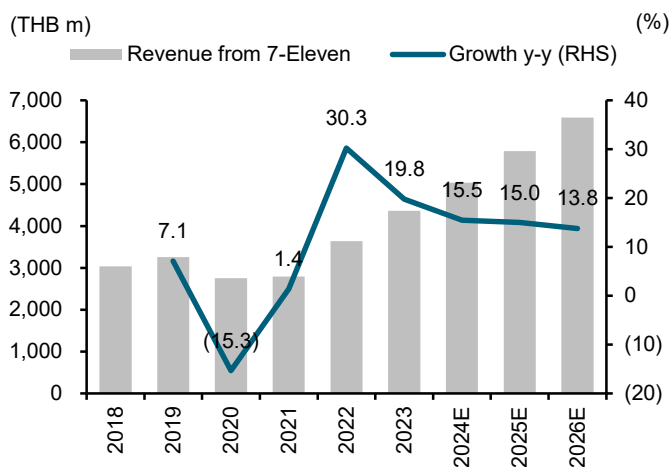
Sources: NSL, FSSIA's compilation

## Contract with 7-Eleven has been extended until 2031

NSL began selling products to 7-Eleven in 2009 and has since evolved from a buyer-supplier relationship to a partnership focused on joint product development. An MOU was signed to exclusively supply products to CPALL (under certain product categories, which are NSL's core products). However, NSL retains the right to produce and sell products with proprietary formulations to other clients outside of CPALL. The company has continuously renewed its contract, with the latest extension set to last until 2031, up from the original expiration in 2026. This extension helps mitigate risks associated with its plan to increase production capacity for hot sandwiches by 58% in 2026.

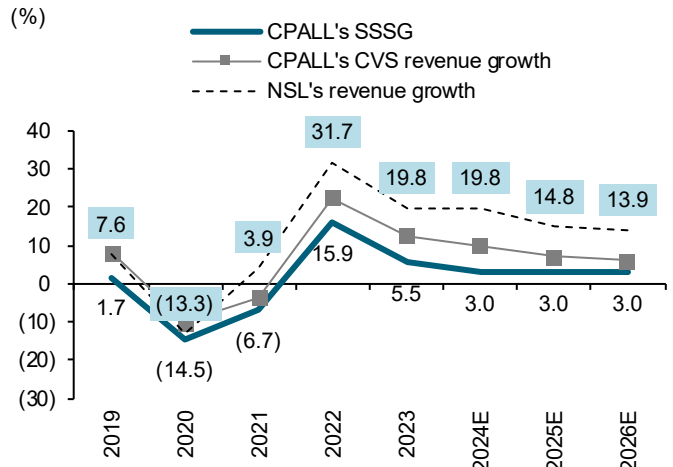
Management has indicated that CPRAM (a key bakery supplier and a subsidiary of CPALL) expanding its production of sliced bread will not affect NSL, as the products are different. We believe that the production expansions of both NSL and CPRAM may be part of a business plan developed with 7-Eleven to support the growth of 7-Eleven's business and its expansion in Thailand as well as internationally (in Cambodia and Laos).

Exhibit 29: Revenue from 7-Eleven



Sources: NSL, FSSIA's compilation

Exhibit 30: Revenue growth of CPALL's CVS and NSL



Sources: CPALL, NSL, FSSIA estimates

Exhibit 31: 1H24 new products for 7-Eleven channel



Source: NSL



Sensitivity analysis of impact of butter and labor cost increases

#1: Higher butter prices

NSL's cost structure shows that raw materials accounted for about 65% of total costs in 2023. The primary raw material is processed meat, which accounts for 40% of the total raw material costs. Other significant materials include cheese, milk, and butter (estimated to be about 30% of raw material costs), as well as flour and other items such as sugar, flavorings, and fruits. Most of these raw materials are commodities with price volatility. YTD, we have observed a 35% y-y increase in butter prices, while cheese prices have decreased by 1.7% y-y. Cheese production is less complex than butter, thus its price movement aligns more with Class III milk prices, which are not currently concerning. The sharp increase in butter prices is partly due to the ongoing Russia-Ukraine war and fluctuating weather conditions in Europe, leading to higher butter prices in Europe compared to Oceania. European analysts anticipate that butter prices will stabilize or decrease as weather conditions improve and some consumers shift to margarine.

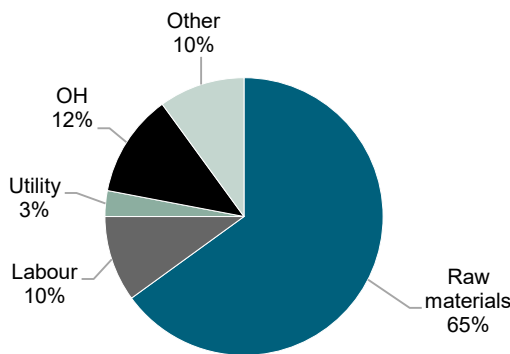
In our sensitivity analysis, a 10% increase in butter prices, all else being equal, would result in 2025 net profit falling by 4.7%.

However, NSL's management has stated in the most recent Opportunity Day meeting that they have locked in raw material prices for six months in advance, covering until the end of the year. We expect raw material costs in 2H24 to remain stable, similar to 1H24.

In 2022, there was a broad increase in raw material prices. In 1Q-2Q22, the Russia-Ukraine war drove wheat prices to a new high of USD12-13/bushel (+58% y-y as of May 2022). Similarly, cheese prices in the US rose by 28% y-y, and butter prices in Europe increased by 74% y-y in the same period. Cheese and butter prices in New Zealand also rose by 36% and 24% y-y, respectively, with NSL primarily sourcing cheese and butter from Oceania.

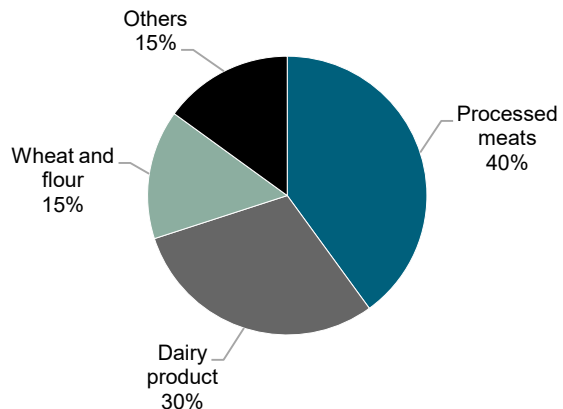
In 2Q-3Q22, domestic meat prices, particularly pork, reached new highs due to African swine fever (ASF) issues, leading to increases in processed meat prices such as ham, sausages, and pork floss. These products account for the largest portion of raw material costs at around 40%. NSL responded by increasing prices on some items, but the positive impact of economies of scale, driven by strong revenue growth, helped maintain a stable gross margin throughout 2022, around 18.5-19%. This performance demonstrated the company's ability to manage costs effectively and negotiate prices with major clients. We believe that part of this success comes from the company's strong product champions and pricing strategies that are acceptable to consumers.

Exhibit 32: Cost breakdown by category (2023)



Sources: FSSIA estimates

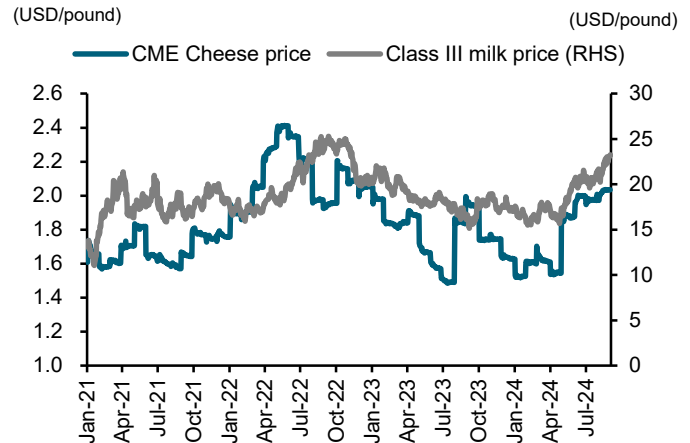
Exhibit 33: Raw material breakdown (% to total raw material costs; 2023)



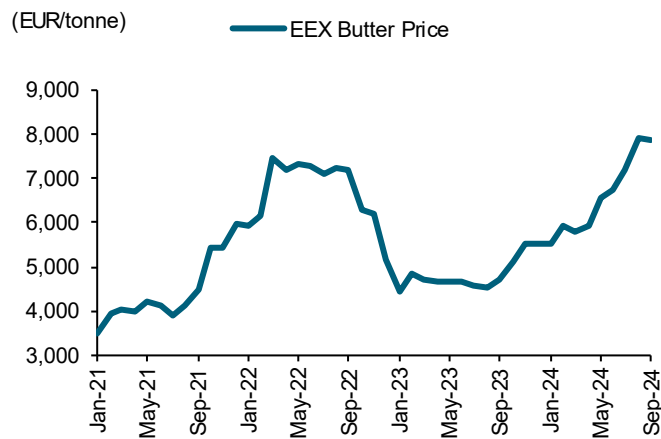
Sources: FSSIA estimates

**Exhibit 34: CBOT wheat price**

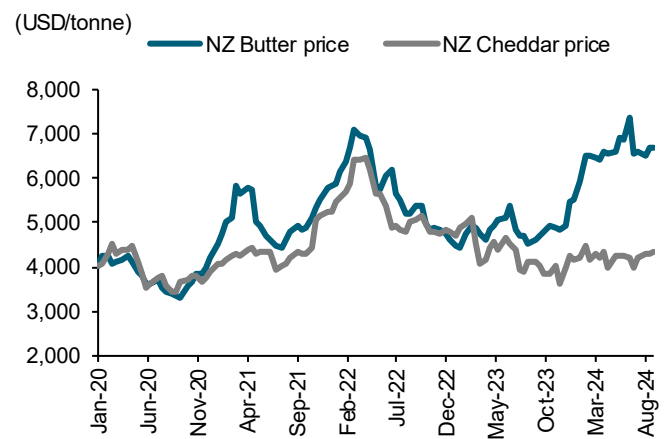
Sources: Bloomberg, FSSIA's compilation

**Exhibit 35: CME cheese and Class III milk price**

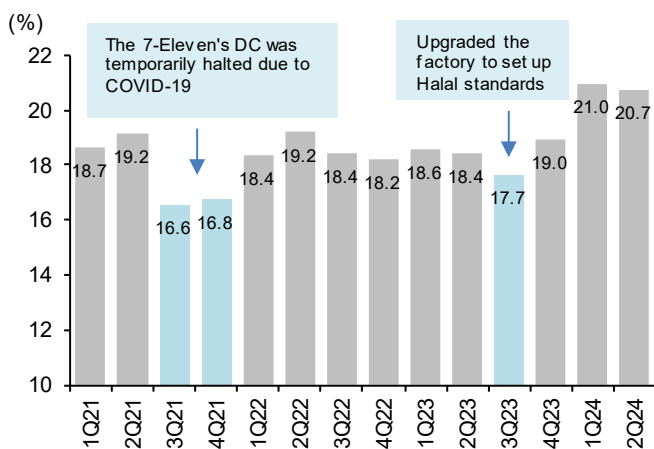
Sources: Bloomberg, FSSIA's compilation

**Exhibit 36: Europe butter price**

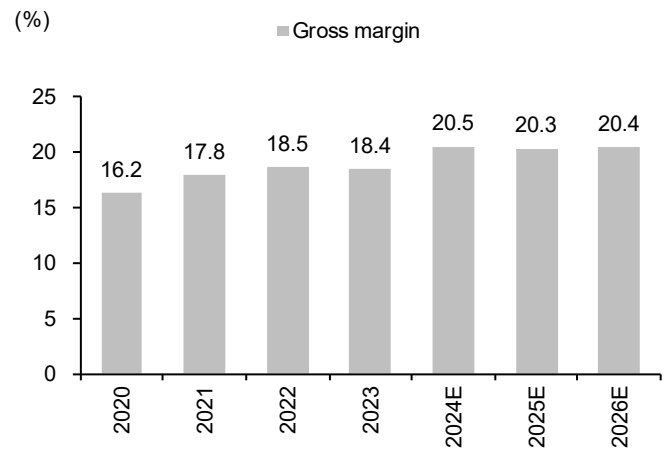
Sources: Trading Economics, FSSIA's compilation

**Exhibit 37: New Zealand butter and cheese price**

Sources: Bloomberg, FSSIA's compilation

**Exhibit 38: NSL's quarterly gross margin**

Sources: NSL, FSSIA's compilation

**Exhibit 39: NSL's yearly gross margin**

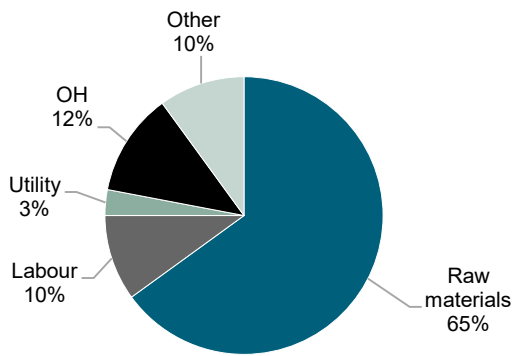
Sources: NSL, FSSIA estimates

#2: Minimum wage hike

As a food manufacturing business requiring a certain level of labor in the production process, NSL had a total of 2,774 employees at the end of 2023. Of these, 26% were salaried employees, and 74%, or 2,040 people, were daily wage workers. Most of the daily wage employees are in the production department, making up about 63% of the total workforce. Labor costs accounted for 10% of the company's total costs in 2023.

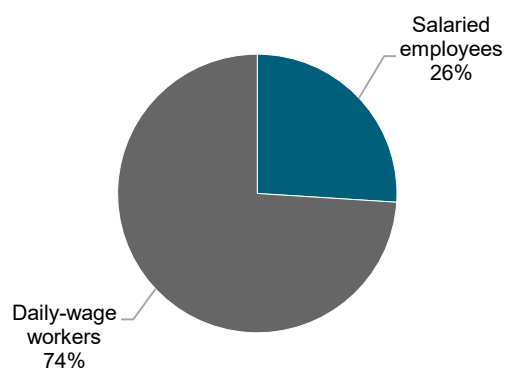
If the minimum wage is increased to 400 baht/day (a 10-11% increase from the current minimum wage in Chonburi and Nonthaburi), it is expected to impact 2025 profits by 5%, according to our analysis. However, NSL continues to focus on increasing the use of machinery instead of labor and continuously improving labor efficiency.

Exhibit 40: Cost breakdown by category (2023)



Source: FSSIA estimates

Exhibit 41: Employee breakdown by type of employee (2023)



Sources: NSL, FSSIA's compilation

## Expect 3Q-4Q24 profit to reach an all-time high

We have a positive outlook following the Opportunity Day meeting on 30 August 2024. Management guided that 3QTD revenue may grow robustly by 20% y-y, close to the 1H24 growth rate. This implies anticipated growth of c3% q-q, breaking the seasonal trend. Both the bakery and snack segments (NSL brands and BAW) are expected to continue growing, with new product launches ongoing. A highlight is the Egg Tart Sandwich, which began selling in July and has received a very positive response. Currently, it is selling around 20,000-30,000 pieces per day and may become a permanent item at 7-Eleven. Other new products include Au Gratin and Ambient bread (butter and sugar flavor, golden threads, and shredded chicken).

Management maintains the revenue growth target for 2024 at 19% y-y and has set an initial target for 2025 of no less than 15% y-y, as the company continues to introduce new products.

We anticipate that 3Q24 core profit could hit a new high of THB136m (+1% q-q, +86% y-y). We expect net profit to grow more q-q, as there will likely be no impairment like in 2Q24, and profits should peak in 4Q24 due to seasonality.

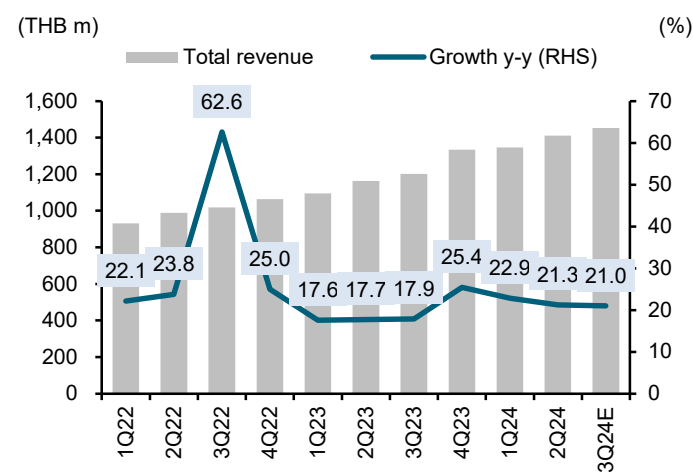
### Exhibit 42: NSL – 3Q24 earnings preview

	3Q23	4Q23	1Q24	2Q24	3Q24E	----- Change -----		9M24E	Change	2024E	Change	% 9M24E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	% Y-Y	(THB m)	% Y-Y	to 2024E
Sales	1,201	1,333	1,346	1,411	1,453	3.0	21.0	4,209	21.7	5,743	19.8	73.3
Cost of sales	988	1,081	1,064	1,118	1,155	3.3	16.8	3,337	17.9	4,566	16.8	73.1
Gross profit	212	253	282	293	298	1.8	40.4	873	38.5	1,177	33.4	74.1
SG&A	117	129	126	130	131	0.5	11.8	387	16.2	546	18.1	70.9
Operating profit	98	132	161	168	172	2.4	75.6	501	64.4	649	48.5	77.2
Interest expense	2	3	2	2	2	0.7	(23.7)	6	(28.9)	8	(29.5)	76.0
Profit (loss) sharing	(4)	(3)	(0)	(5)	0	nm	nm	(5)	nm	(5)	nm	100.0
Tax expense	19	27	32	30	34	13.3	81.6	96	62.8	115	35.0	83.2
Reported net profit	73	102	128	131	136	3.5	85.7	395	70.4	523	56.9	75.5
Core profit	73	102	128	135	136	1.0	85.7	398	69.6	523	56.9	76.1
<b>Key ratios (%)</b>						<b>(ppt)</b>	<b>(ppt)</b>					
Gross margin	17.7	19.0	21.0	20.7	20.5	(0.2)	2.8	18.5	0.7	20.5	0.0	
SG&A / Sales	9.7	9.7	9.4	9.2	9.0	(0.2)	(0.7)	9.2	(0.6)	9.5	0.0	
Operating margin	8.2	9.9	12.0	11.9	11.8	(0.1)	3.7	9.2	(0.6)	11.3	0.0	
Net margin	6.1	7.6	9.5	9.3	9.4	0.1	3.3	7.4	1.1	9.1	2.2	
Core margin	6.1	7.6	9.5	9.5	9.4	(0.2)	3.3	7.4	1.1	9.1	2.2	
<b>Operating statistics (THB m)</b>												
Bakery sales	1,060	1,152	1,186	1,238	1,272	2.7	20.0	3,695	18.1	5,037	17.6	73.4
Food service sales	64	75	66	68	68	0.3	6.8	202	0.7	272	(1.4)	74.2
Snack sales (NSL brands)	45	45	82	91	98	7.2	116.8	271	317.7	376	131.1	72.1
OEM sales	19	17	9	10	12	16.5	(36.8)	32	(38.4)	46	(33.2)	69.4
Franchise sales	1	3	3	3	3	(2.9)	183.7	9	776.5	12	177.7	76.1

Sources: NSL, FSSIA estimates

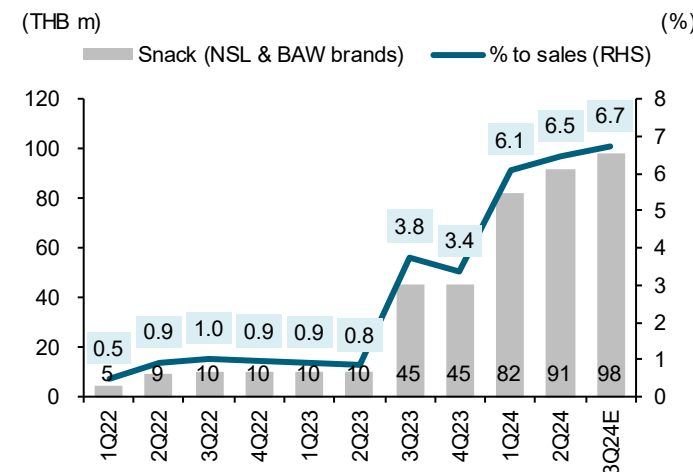


Exhibit 43: Total revenue and growth



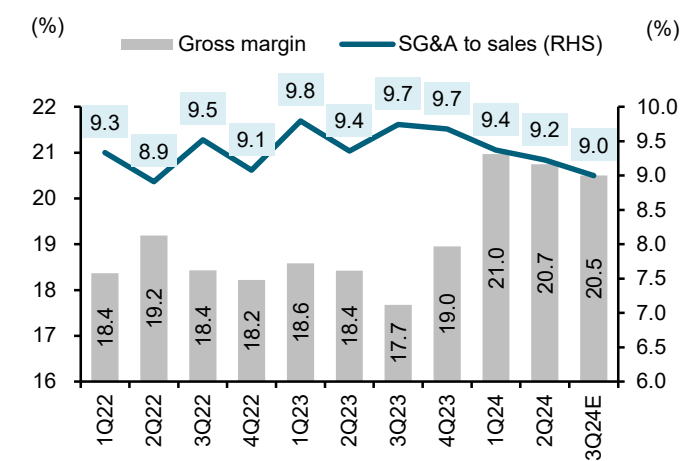
Sources: NSL, FSSIA estimates

Exhibit 44: Revenue from NSL brands



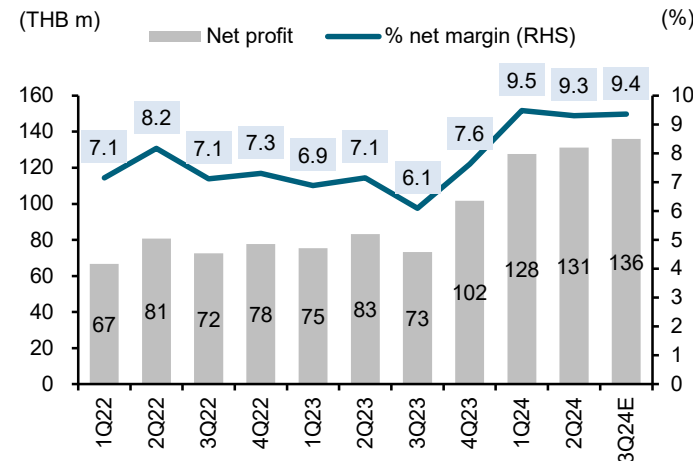
Sources: NSL, FSSIA estimates

Exhibit 45: Quarterly gross margin and SG&A to sales



Sources: NSL, FSSIA estimates

Exhibit 46: Quarterly net profit and net margin



Sources: NSL, FSSIA estimates

## Revising up our 2024-26 net profit forecasts by 14-20%

We have increased our net profit forecasts for 2024-26 by 20.5%/16.4%/14.3%, reflecting a growth rate of 57%/13.1%/13.7%, respectively. This adjustment accounts for the better-than-expected growth in 1H24, primarily driven by an increase in our gross margin estimates by 1.2-1.7 ppts, reaching 20.3-20.5% over the next three years (with a gross margin of 20.6% in 1H24).

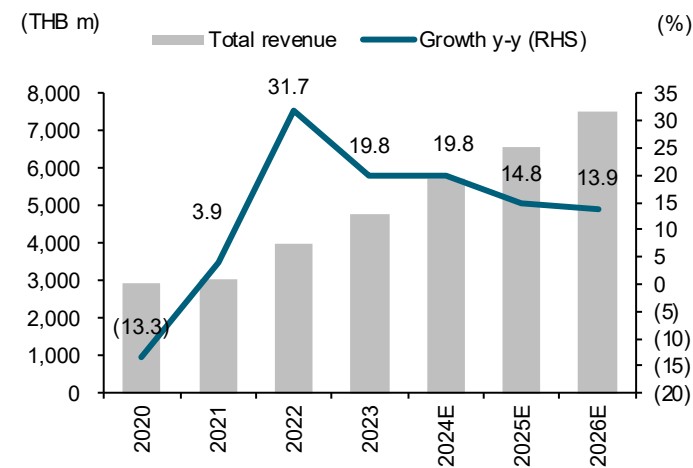
We anticipate a continued positive effect from the higher utilization rate, expected to increase to 68-70% in 2025-26, before new production capacity starts being realized in 2H24. We expect full operations by 4Q26 and full depreciation in 2027. If other factors remain constant, this could impact the gross margin by about 0.5%, but we expect revenue to continue growing, so the impact is likely to be less severe.

### Exhibit 47: Changes in key assumptions for NSL

	Current			Previous			Change		
	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (%)	2025E (%)	2026E (%)
Total revenue	5,743	6,592	7,509	5,707	6,535	7,402	0.6	0.9	1.5
Costs	4,566	5,254	5,977	4,634	5,294	5,981	(1.5)	(0.8)	(0.1)
Gross profit	1,177	1,338	1,532	1,073	1,242	1,421	9.7	7.8	7.8
SG&A expenses	546	620	713	548	627	711	(0.4)	(1.2)	0.4
Profit sharing	(5)	0	0	(3)	2	3	<i>nm</i>	<i>nm</i>	<i>nm</i>
Reported net profit	523	591	673	434	508	588	20.5	16.4	14.3
Core profit	523	591	673	434	508	588	20.5	16.4	14.3
<b>Key ratios (%)</b>									
Total revenue growth	19.8	14.8	13.9	19.1	14.5	13.3	0.7	0.3	0.7
Net profit growth	56.9	13.1	13.7	30.2	17.1	15.8	26.7	(4.0)	(2.1)
Core profit growth	56.9	13.1	13.7	30.2	17.1	15.8	26.7	(4.0)	(2.1)
Gross margin	20.5	20.3	20.4	18.8	19.0	19.2	1.7	1.3	1.2
SG&A to sales	9.5	9.4	9.5	9.6	9.6	9.6	(0.1)	(0.2)	(0.1)
Net margin	9.1	9.0	9.0	7.6	7.8	7.9	1.5	1.2	1.0
Core margin	9.1	9.0	9.0	7.6	7.8	7.9	1.5	1.2	1.0
<b>Operating statistics (THB m)</b>									
Bakery sales	5,037	5,793	6,592	5,117	5,884	6,696	(1.6)	(1.6)	(1.6)
Food service sales	272	285	308	127	139	150	114.0	105.3	105.5
Snack sales	376	451	542	303	328	354	24.1	37.6	53.0
OEM sales	46	50	55	89	107	120	(48.7)	(53.0)	(53.9)

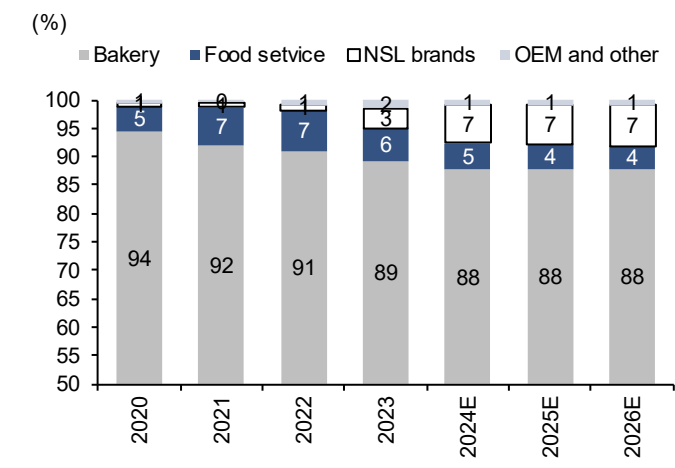
Source: FSSIA estimates

Exhibit 48: Yearly total revenue and growth



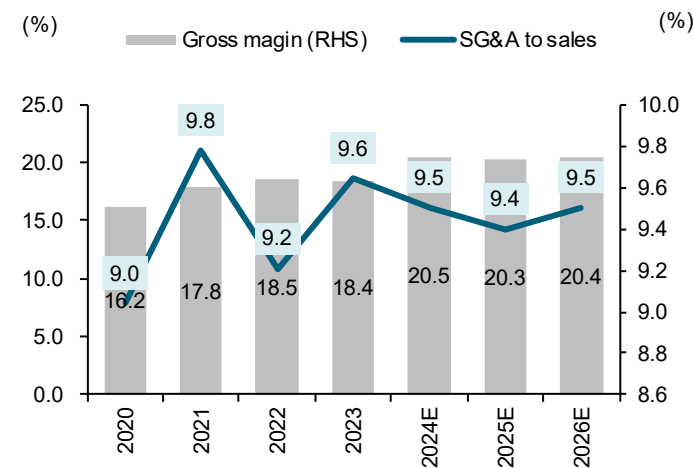
Source: FSSIA estimates

Exhibit 49: Yearly revenue contribution by segment



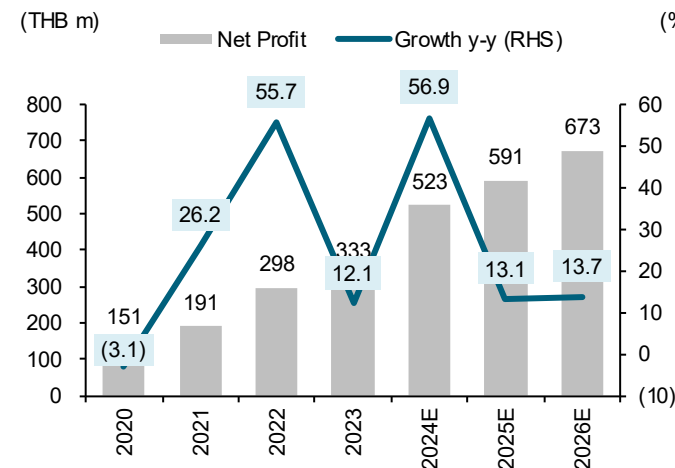
Source: FSSIA estimates

Exhibit 50: Yearly gross margin and SG&A to sales



Source: FSSIA estimates

Exhibit 51: Yearly net profit and growth

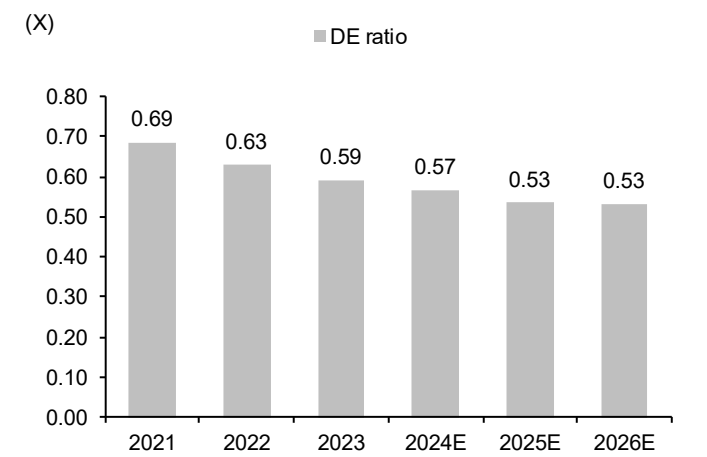


Source: FSSIA estimates

Strong financial position

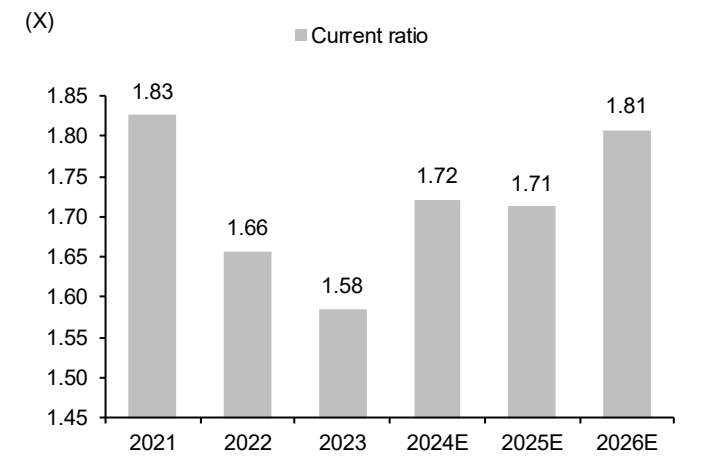
NSL is in a strong financial position. As of the end of 1H24, it had a low D/E ratio of 0.53x and a high current ratio of 1.8x, with cash and other financial assets totaling cTHB450m. We expect the company to generate an average operating cash flow of THB600-THB700m annually in 2025-26. Therefore, we believe NSL has sufficient liquidity to support its production expansion over the next two years, with initial capex estimated at around THB400m per year. We expect ROE to be at 29.4% by the end of 2024, and the expected dividend yield for this year is approximately 3.3%.

Exhibit 52: D/E ratio



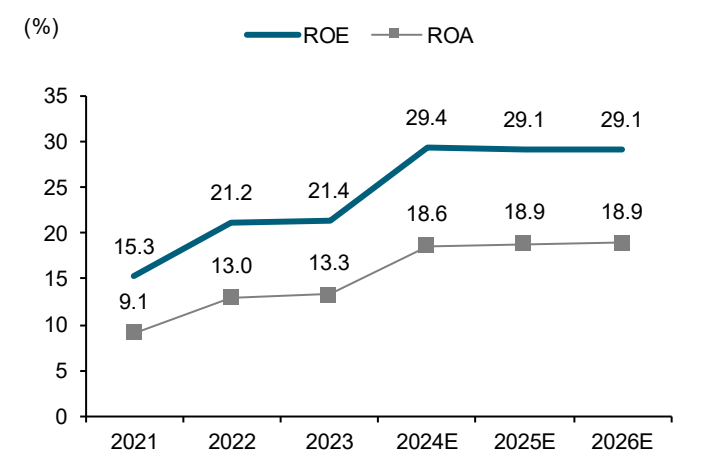
Source: FSSIA estimates

Exhibit 53: Current ratio



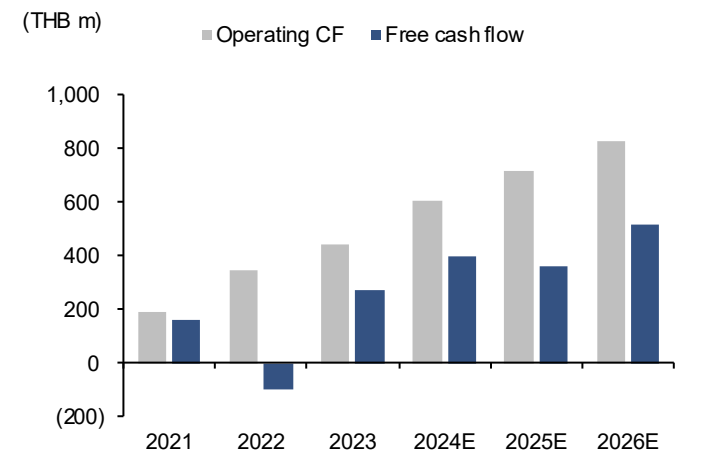
Source: FSSIA estimates

Exhibit 54: ROE and ROA



Source: FSSIA estimates

Exhibit 55: Operating CF and FCF



Sourcs: FSSIA estimates



## Incorporating ESG factors into NSL's target multiplier

For this research paper, we have assessed NSL's stock value incorporating ESG considerations. Although we are positive about NSL's strategy and future growth prospects, we have adopted a more cautious view on social risk aspects in two dimensions:

1. High dependence on major clients – NSL derives 90% of its total revenue from a major client. While there are clear plans to increase the share of non-7-Eleven revenue and tangible steps have been taken by investing in new non-7-Eleven businesses, this remains challenging. The company needs to experiment with marketing and adapt continuously, with the possibility that some ventures may not succeed. Slow adaptation could lead to losses impacting operational performance and business value, as demonstrated by the recent divestment from the Pen1 F&B beverage business.
2. Increased competition among suppliers – Competition among suppliers for 7-Eleven is intensifying, both from CP Group's own suppliers and new entrants, particularly SMEs. Many of these new operators are developing and offering distinctive products, which accelerates turnover of old and new products in stores due to limited retail space.

Regarding Corporate Governance, we view NSL as performing well. It complies with SET and SEC regulations and regularly discloses performance updates to investors, participating in Opportunity Day events every quarter.

In terms of Environment, NSL collects data and reports on greenhouse gas emissions (Scope 1-3) and manages energy use (e.g., installing solar rooftops, using energy-efficient lighting) and waste management (e.g., waste sorting). However, the company has not yet set targets for Carbon Neutrality or Net Zero, nor established concrete greenhouse gas reduction goals and strategies.

NSL is not included in the SET ESG Index, but it is listed in the ESG Emerging List and ESG100 for 2024 by the Thai Institute of Directors, and it has a Good (3-star) CG assessment rating. We expect to see more ESG disclosures from NSL in the future, particularly regarding targets and progress.

Conclusion: We have not yet assigned ESG Scores to NSL to avoid potential evaluation errors due to insufficient data, and we are monitoring for additional information in the coming year. To maintain a conservative valuation approach, we have adjusted the target P/E multiple from 25x (+1 SD) to 22x (5-year average).

# NSL FOODS PCL (NSL TB)

FSSIA ESG rating

n/a

## Exhibit 56: FSSIA ESG score implication

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★★	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

## Exhibit 57: ESG – peers comparison

	FSSIA ESG score	Domestic ratings						Global ratings						Bloomberg	
		DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
ITC	8.00	--	--	--	--	--	Declared	--	--	--	--	--	--	--	--
NSL	n/a	--	--	--	--	--	--	--	--	--	--	--	--	--	--
RBF	34.45	--	--	--	5.00	4.00	Declared	High	51.04	--	--	30.50	--	2.34	--
SNNP	13.00	--	--	--	4.00	4.00	--	--	--	--	--	--	--	--	--

Sources: [SETTRADE.com](https://www.settrade.com); \* FSSIA estimate; FSSIA's compilation

## Exhibit 58: ESG disclosure from company's One Report

FY ending Dec 31	FY 2023	FY ending Dec 31	FY 2023
<b>Environmental</b>		<b>Governance</b>	
Climate change policy	Yes	Board size / Independent directors (ID) / Female	8 / 4 / 2
Climate change opportunities discussed	--	No. of board meetings for the year / % attendance	6 / 100
GHG scope 2 location-based policy	Yes	Company conducts board evaluations	Yes
Biodiversity policy	--	Number of non-executive directors on board	6
Energy efficiency policy	Yes	Director share ownership guidelines	No
Electricity used	Yes	Board age limit	No
Fuel used - crude oil/diesel	Yes	Age of the youngest / oldest director	39 / 71
Waste reduction policy	Yes	Number of executives / female	6 / 1
Water policy	Yes	Executive share ownership guidelines	No
Water consumption	Yes	Size of audit committee / ID	3 / 3
<b>Social</b>		Audit committee meetings	5
Human rights policy	Yes	Audit committee meeting attendance (%)	100
Policy against child labor	Yes	Size of compensation committee / ID	-- / --
Quality assurance and recall policy	Yes	Number of compensation committee meetings	--
Consumer data protection policy	Yes	Compensation committee meeting attendance (%)	--
Equal opportunity policy	Yes	Size of nomination committee / ID	-- / --
Gender pay gap breakout	--	Number of nomination committee meetings	--
Pct women in workforce	53.65	Nomination committee meeting attendance (%)	--
Business ethics policy	Yes	Board compensation (THB m)	2.48
Anti-bribery ethics policy	Yes	Executive compensation (THB m)	26.6
Health and safety policy	Yes	Auditor fee (THB m)	2.1
Lost time incident rate - employees	--	(Deloitte Touche Tohmatsu Jaiyos Co., Ltd.)	
Training policy	Yes	Total employee (no.)	2781
Fair remuneration policy	Yes	Employee compensation (THB m)	572.3
Number of employees - CSR	Yes		
Total hours spent by firm - employee training	16,315		
Social supply chain management	Yes		

Source: FSSIA's compilation

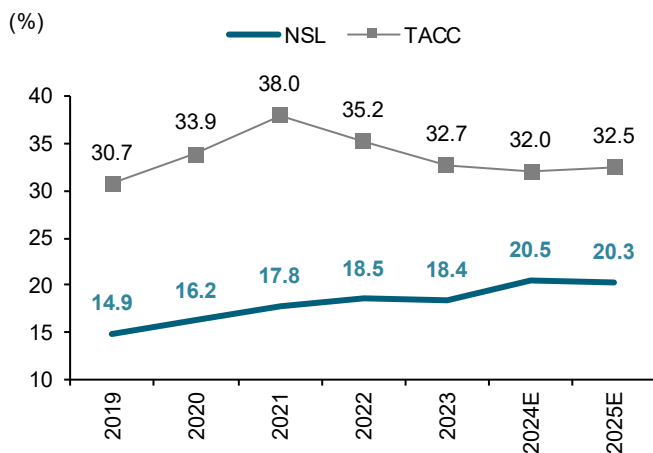
## Maintain BUY call with higher TP to THB43

We roll forward our TP to 2025, resulting in a higher TP of THB43. We have lowered our target P/E (ESG adjusted) to 22x from 25x. This P/E level is higher compared to TACC (which also derives about 90% of its revenue from 7-Eleven), where we set a target P/E of 17x – close to TACC's historical average P/E, which has often traded below NSL.

NSL has a lower profit margin than TACC's, due to its manufacturing business vs TACC's trading business. However, recent significant events have demonstrated that NSL has stronger bargaining power and more intensive R&D efforts in developing new products. Ultimately, we may see more successful plans to increase non-7-Eleven revenue streams. In addition, this P/E is close to the 5-year historical average P/E for the food and beverage sector, making it a reasonable valuation for NSL.

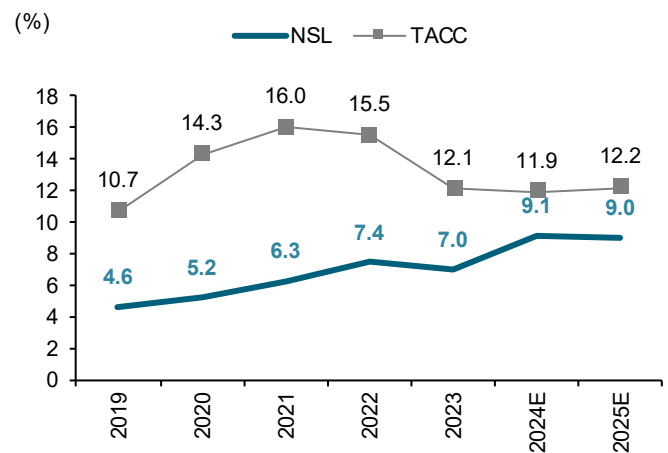
Currently, the stock trades at 2024E-25E P/E multiples of 17x and 15x, respectively, below -1 SD. Therefore, we maintain our Buy recommendation.

**Exhibit 59: Gross margin**



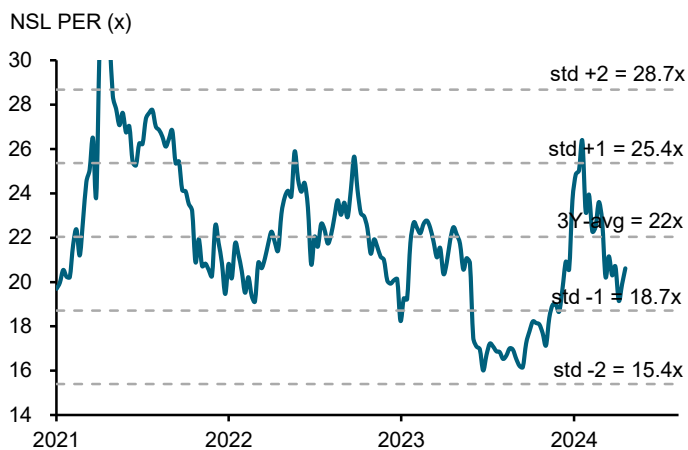
Sources: NSL, TACC, FSSIA estimates

**Exhibit 60: Net margin**



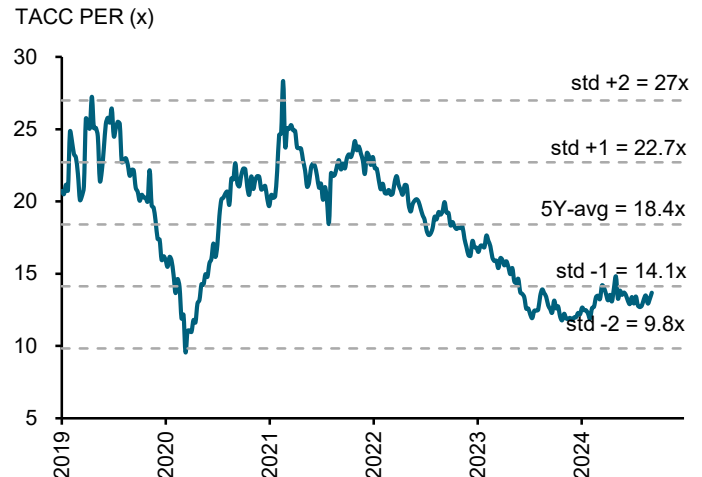
Sources: NSL, TACC, FSSIA estimates

**Exhibit 61: NSL – historical P/E band**



Source: Bloomberg,

**Exhibit 62: TACC – historical P/E band**



Source: Bloomberg,

## Exhibit 63: Peers comparison as of 6 Sep 2024

Company	BBG	Rec	----- Share price -----			Market Cap	Gross margin 24E	Net margin 24E	----- PE -----		---- ROE ---		--- PBV ---		- EV/ EBITDA -				
			Current	Target	Upside					24E	24E	5Y-avg	24E	24E	25E	24E	25E	24E	25E
			(LCY)	(LCY)	(%)				(USD m)	(%)	(%)	(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)
Thailand																			
TAC Consumer*	TACC TB	BUY	4.98	6.30	27	89	32.0	11.9	17.5	13.5	31.2	34.0	4.2	4.0	7.8	6.8			
NSL Foods*	NSL TB	BUY	29.75	43.00	45	266	20.5	9.1	22.9	17.1	31.3	31.0	5.0	4.4	11.2	9.6			
Charoen Pokphand Foods*	CPF TB	BUY	24.50	28.00	14	6,030	12.8	2.2	12.9	15.4	5.5	6.7	0.8	0.8	13.6	13.0			
Srinanaporn Marketing*	SNNP TB	BUY	13.40	17.40	30	384	29.2	11.5	28.8	19.3	20.3	22.3	3.8	3.7	12.5	11.1			
Thai Union Group*	TU TB	BUY	15.30	17.30	13	1,944	17.3	3.7	12.5	14.1	8.7	9.5	1.2	1.2	10.2	9.6			
Carabao Group*	CBG TB	BUY	72.75	81.00	11	2,172	26.3	12.7	38.5	27.1	21.8	20.9	5.5	5.0	18.9	17.9			
Ichitan Group*	ICHI TB	BUY	15.80	19.00	20	613	25.0	15.5	21.0	15.2	23.4	25.1	3.6	3.7	9.0	8.6			
Osotspa*	OSP TB	BUY	22.70	28.00	23	2,036	36.0	10.3	34.2	23.0	17.6	18.3	3.9	3.9	13.0	12.1			
Sappe*	SAPPE TB	BUY	72.25	92.00	27	665	46.2	18.5	19.1	17.1	32.7	33.2	5.4	5.0	10.8	10.1			
S&P Syndicate	SNP TB	n/a	13.20	n/a	n/a	196	n/a	n/a	24.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a			
President Bakery	PB TB	n/a	60.00	n/a	n/a	795	n/a	n/a	18.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a			
Thai President Foods	TFMAMA	n/a	195.00	n/a	n/a	1,904	n/a	n/a	18.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a			
Thailand average						17,095			22.4	18.0	21.4	22.3	3.7	3.5	11.9	11.0			
Global																			
Aryzta	ARYN SW	n/a	1.65	n/a	n/a	1,960	n/a	5.2	23.9	14.5	13.6	16.2	2.4	2.5	8.1	7.7			
Toly Bread	603866 CH	n/a	5.26	n/a	n/a	1,183	23.2	9.0	34.8	13.7	11.2	11.6	1.6	1.5	8.9	8.4			
Krispy Kreme	DNUT US	n/a	11.53	n/a	n/a	1,955	75.1	2.7	94.0	49.1	3.1	2.6	1.7	1.7	13.7	12.1			
Flowers Foods	FLO US	n/a	23.44	n/a	n/a	4,936	48.1	5.2	20.6	18.7	19.4	19.5	3.2	2.9	11.2	10.8			
Nippon Indosari Corpindo	ROTI IJ	n/a	1,035	n/a	n/a	410	53.8	9.1	26.1	16.2	15.3	17.1	2.6	2.3	9.2	8.5			
Global average						10,445			39.9	22.4	12.5	13.4	2.3	2.2	10.2	9.5			
Overall average						27,540			27.5	19.6	18.2	19.1	3.2	3.0	11.3	10.5			

Sources: Bloomberg, FSSIA estimates



## Risk factors

### **Risk from high dependence on a major customer**

NSL derived c90% of its revenue from sales to CPALL in 1H24. This aligns with the agreement to exclusively produce products for CPALL. Recognizing this risk, the company has been developing its own snack products under its own brand and investing in other businesses through joint ventures (JV) and mergers & acquisitions (M&A).

### **Risk from high competition**

NSL currently has an exclusive production agreement with CPALL, which was recently extended to 2031 from the original 2026, covering a seven-year period from now (2024). There is a risk if the contract is not renewed in the future. However, the company believes that its good relationship with CPALL will lead to future contract renewals. Aside from that, the company can sell other types of bakery products not covered by the MOU to other operators.

### **Risk from fluctuating raw material prices**

Raw material costs are a major expense for NSL, with key materials including flour, butter, cheese, sugar, milk, ham, sausages, and various seasonings. Prices for these materials may fluctuate based on supply and demand, which is beyond the company's control. This could impact them if it cannot adjust its selling prices or control other costs to offset the increased raw material costs.

### **Risk from rising employee expenses**

NSL's production process is labor intensive, requiring skilled workers for mixing ingredients, assembly, or decorating food products. Employee costs are a major expense next to raw material costs. Minimum wage hikes (due to government policies or labor shortages) could increase the company's labor costs significantly.

### **Risk from disease outbreaks**

In recent years, various disease outbreaks have occurred globally and in Thailand, such as mad cow disease, avian flu, ASF, and COVID-19. These outbreaks pose challenges for food businesses. Besides facing potential increases in raw material prices (from reduced animal production), NSL must ensure consumer confidence in the safety and quality of its products. This includes maintaining traceability throughout the supply chain. The company's performance may also be affected by reduced purchasing power due to the impact of COVID-19.

## Financial Statements

### NSL Foods

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	4,001	4,793	5,743	6,592	7,509
Cost of goods sold	(3,259)	(3,910)	(4,566)	(5,254)	(5,977)
<b>Gross profit</b>	<b>742</b>	<b>883</b>	<b>1,177</b>	<b>1,338</b>	<b>1,532</b>
Other operating income	8	17	17	20	20
Operating costs	(369)	(462)	(546)	(620)	(713)
<b>Operating EBITDA</b>	<b>484</b>	<b>557</b>	<b>789</b>	<b>918</b>	<b>1,049</b>
Depreciation	(102)	(120)	(140)	(180)	(210)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>382</b>	<b>437</b>	<b>649</b>	<b>738</b>	<b>839</b>
Net financing costs	(10)	(11)	(8)	(11)	(11)
Associates	-	-	-	-	-
Recurring non-operating income	0	(9)	(5)	0	0
Non-recurring items	0	0	0	0	0
<b>Profit before tax</b>	<b>372</b>	<b>418</b>	<b>637</b>	<b>728</b>	<b>828</b>
Tax	(74)	(85)	(115)	(138)	(157)
<b>Profit after tax</b>	<b>298</b>	<b>332</b>	<b>521</b>	<b>590</b>	<b>670</b>
Minority interests	0	1	2	2	2
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>298</b>	<b>333</b>	<b>523</b>	<b>591</b>	<b>673</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>298</b>	<b>333</b>	<b>523</b>	<b>591</b>	<b>673</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.99	1.11	1.74	1.97	2.24
Reported EPS	0.99	1.11	1.74	1.97	2.24
DPS	0.55	0.65	1.00	1.14	1.30
Diluted shares (used to calculate per share data)	300	300	300	300	300
<b>Growth</b>					
Revenue (%)	31.7	19.8	19.8	14.8	13.9
Operating EBITDA (%)	40.0	15.1	41.6	16.4	14.2
Operating EBIT (%)	53.3	14.5	48.5	13.8	13.6
Recurring EPS (%)	41.5	12.1	56.9	13.1	13.7
Reported EPS (%)	41.5	12.1	56.9	13.1	13.7
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	18.5	18.4	20.5	20.3	20.4
Gross margin exc. depreciation (%)	21.1	20.9	22.9	23.0	23.2
Operating EBITDA margin (%)	12.1	11.6	13.7	13.9	14.0
Operating EBIT margin (%)	9.5	9.1	11.3	11.2	11.2
Net margin (%)	7.4	7.0	9.1	9.0	9.0
Effective tax rate (%)	19.9	20.4	18.1	19.0	19.0
Dividend payout on recurring profit (%)	55.4	58.5	57.5	58.0	58.0
Interest cover (X)	37.1	40.2	85.9	70.3	74.9
Inventory days	26.4	26.1	26.8	29.0	29.2
Debtor days	49.8	50.5	48.3	46.8	46.9
Creditor days	58.5	58.2	57.8	58.1	58.4
Operating ROIC (%)	25.9	27.2	36.9	36.9	37.0
ROIC (%)	22.3	21.3	30.1	31.2	32.2
ROE (%)	22.4	22.5	31.3	31.0	31.0
ROA (%)	13.9	14.2	19.9	20.1	20.3

\* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2022	2023	2024E	2025E	2026E
Bakery and appetizers	3,643	4,282	5,037	5,793	6,592
Food Services	288	276	272	285	308
Snack (NSL brand and BAW)	35	163	376	451	542
OEM & bread wastes	35	68	46	50	55

Sources: NSL Foods; FSSIA estimates

## Financial Statements

### NSL Foods

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	298	333	523	591	673
Depreciation	102	120	140	180	210
Associates & minorities	-	-	-	-	-
Other non-cash items	0	26	6	0	0
Change in working capital	(54)	(36)	(62)	(52)	(57)
<b>Cash flow from operations</b>	<b>346</b>	<b>443</b>	<b>607</b>	<b>720</b>	<b>825</b>
Capex - maintenance	(146)	(200)	(200)	(400)	(300)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(301)	28	(12)	42	(9)
<b>Cash flow from investing</b>	<b>(448)</b>	<b>(172)</b>	<b>(212)</b>	<b>(358)</b>	<b>(309)</b>
Dividends paid	(144)	(180)	(301)	(343)	(390)
Equity finance	0	0	0	0	0
Debt finance	(100)	(93)	(35)	(25)	5
Other financing cash flows	1	20	31	(20)	9
<b>Cash flow from financing</b>	<b>(243)</b>	<b>(252)</b>	<b>(305)</b>	<b>(388)</b>	<b>(376)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>(344)</b>	<b>19</b>	<b>90</b>	<b>(27)</b>	<b>140</b>
Free cash flow to firm (FCFF)	(91.06)	281.68	402.20	372.20	527.42
Free cash flow to equity (FCFE)	(200.65)	198.69	390.73	316.48	530.40
<b>Per share (THB)</b>					
FCFF per share	(0.30)	0.94	1.34	1.24	1.76
FCFE per share	(0.67)	0.66	1.30	1.05	1.77
Recurring cash flow per share	1.33	1.60	2.23	2.57	2.94
Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	1,738	1,896	2,024	2,317	2,486
Less: Accumulated depreciation	(768)	(846)	(914)	(987)	(1,066)
<b>Tangible fixed assets (net)</b>	<b>970</b>	<b>1,050</b>	<b>1,110</b>	<b>1,330</b>	<b>1,420</b>
<b>Intangible fixed assets (net)</b>	<b>6</b>	<b>47</b>	<b>47</b>	<b>47</b>	<b>47</b>
Long-term financial assets	301	214	200	150	150
Invest. in associates & subsidiaries	0	6	6	6	6
Cash & equivalents	115	134	224	197	338
A/C receivable	595	732	787	903	1,029
Inventories	267	274	375	432	491
Other current assets	3	7	3	3	4
<b>Current assets</b>	<b>980</b>	<b>1,147</b>	<b>1,389</b>	<b>1,535</b>	<b>1,861</b>
Other assets	32	36	57	66	75
<b>Total assets</b>	<b>2,290</b>	<b>2,500</b>	<b>2,809</b>	<b>3,134</b>	<b>3,559</b>
Common equity	1,406	1,560	1,782	2,030	2,313
Minorities etc.	0	17	18	18	19
<b>Total shareholders' equity</b>	<b>1,406</b>	<b>1,576</b>	<b>1,800</b>	<b>2,049</b>	<b>2,332</b>
Long term debt	80	14	0	35	40
Other long-term liabilities	30	49	86	66	75
<b>Long-term liabilities</b>	<b>110</b>	<b>64</b>	<b>86</b>	<b>101</b>	<b>115</b>
A/C payable	559	650	751	864	983
Short term debt	167	141	115	55	55
Other current liabilities	47	68	57	66	75
<b>Current liabilities</b>	<b>774</b>	<b>859</b>	<b>923</b>	<b>985</b>	<b>1,113</b>
<b>Total liabilities and shareholders' equity</b>	<b>2,290</b>	<b>2,500</b>	<b>2,809</b>	<b>3,134</b>	<b>3,559</b>
Net working capital	259	295	357	409	466
Invested capital	1,568	1,648	1,777	2,007	2,164
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	4.69	5.20	5.94	6.77	7.71
Tangible book value per share	4.67	5.04	5.78	6.61	7.55
<b>Financial strength</b>					
Net debt/equity (%)	9.4	1.4	(6.0)	(5.2)	(10.4)
Net debt/total assets (%)	5.8	0.9	(3.9)	(3.4)	(6.8)
Current ratio (x)	1.3	1.3	1.5	1.6	1.7
CF interest cover (x)	(18.5)	19.7	53.1	31.1	48.4
Valuation	2022	2023	2024E	2025E	2026E
<b>Recurring P/E (x) *</b>	<b>30.0</b>	<b>26.8</b>	<b>17.1</b>	<b>15.1</b>	<b>13.3</b>
<b>Recurring P/E @ target price (x) *</b>	<b>43.3</b>	<b>38.7</b>	<b>24.7</b>	<b>21.8</b>	<b>19.2</b>
Reported P/E (x)	30.0	26.8	17.1	15.1	13.3
Dividend yield (%)	1.8	2.2	3.4	3.8	4.4
Price/book (x)	6.3	5.7	5.0	4.4	3.9
Price/tangible book (x)	6.4	5.9	5.1	4.5	3.9
EV/EBITDA (x) **	18.7	16.1	11.2	9.6	8.3
EV/EBITDA @ target price (x) **	26.9	23.2	16.2	14.0	12.1
EV/invested capital (x)	5.8	5.4	5.0	4.4	4.0
* Pre-exceptional, pre-goodwill and fully diluted    ** EBITDA includes associate income and recurring non-operating income					

Sources: NSL Foods; FSSIA estimates

## Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices ( <a href="#">DJSI</a> ) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																				
Sustainability Investment List ( <a href="#">THSI</a> ) by The Stock Exchange of Thailand ( <a href="#">SET</a> )	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for <a href="#">THSI inclusion</a> , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. <a href="#">SETTHSI Index</a> is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																				
<b>CG Score</b> by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																				
<b>AGM level</b> By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&amp;A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																				
<a href="#">Thai CAC</a> By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																				
<a href="#">Morningstar Sustainability</a>	The Sustainability's ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality &amp; peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
NEGL	Low	Medium	High	Severe																		
0-10	10-20	20-30	30-40	40+																		
<a href="#">ESG Book</a>	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																				
<a href="#">MSCI</a>	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table><tr><td><b>AAA</b></td><td>8.571-10.000</td><td rowspan="3"><b>Leader:</b></td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td><b>AA</b></td><td>7.143-8.570</td></tr><tr><td><b>A</b></td><td>5.714-7.142</td></tr><tr><td><b>BBB</b></td><td>4.286-5.713</td><td rowspan="3"><b>Average:</b></td><td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td></tr><tr><td><b>BB</b></td><td>2.857-4.285</td></tr><tr><td><b>B</b></td><td>1.429-2.856</td></tr><tr><td><b>CCC</b></td><td>0.000-1.428</td><td><b>Laggard:</b></td><td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr></table>		<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570	<b>A</b>	5.714-7.142	<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285	<b>B</b>	1.429-2.856	<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks
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<a href="#">Moody's ESG solutions</a>	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																					
<a href="#">Refinitiv ESG rating</a>	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																					
<a href="#">S&amp;P Global</a>	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																					
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																				
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																				

[Rating](#) regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) **"CG Score"**; 2) **"AGM Level"**; 3) **"Thai CAC"**; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

#### Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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Company	Ticker	Price	Rating	Valuation & Risks
NSL Foods	NSL TB	THB 29.75	BUY	Downside risks to our DCF-based TP include 1) a slower-than-expected consumption recovery; 2) high volatility in raw material prices; 3) the failure of new products; and 4) changing consumer demand and lifestyles.
T.A.C. Consumer	TACC TB	THB 4.98	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected recovery in purchasing power, 2) unusually cold weather, 3) lower new product launches than planned, 4) a slower-than-expected decrease in raw material prices, and 5) changes in laws and regulations.
Charoen Pokphand Foods	CPF TB	THB 24.50	BUY	Downside risks to our P/E-based TP include 1) slow purchasing power, 2) a slower-than-expected meat price recovery, 3) higher feed costs, 4) Baht strength, and 5) a minimum wage increase and labor shortages.
Srinanaporn Marketing	SNNP TB	THB 13.40	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) a potential rise in raw material costs; 3) a slower-than-expected capacity expansion; and 4) unsuccessful new products.
Thai Union Group	TU TB	THB 15.30	BUY	Downside risks to our SoTP-based 2024 TP include 1) a slower-than-expected revenue recovery; 2) a disruption on shipping routes, resulting in higher-than-expected freight costs; 3) a slower decrease in raw material costs than expected; 4) higher-than-expected labor costs and labor shortages; and 5) stronger Baht than expected.
Carabao Group	CBG TB	THB 72.75	BUY	Downside risks to our P/E-based TP are 1) a slower-than-expected recovery in consumption; 2) higher competition in the domestic energy drink market; 3) a potential rise in packaging and raw material costs; and 4) regulatory risks from domestic and international markets.
Ichitan Group	ICHI TB	THB 15.80	BUY	Downside risks to our P/E-based TP would be 1) a slower-than-expected consumption recovery; 2) high volatility in packaging costs; and 3) increased competition and government policy changes such as excise taxes for sugary drinks.
Osotspa	OSP TB	THB 22.70	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) higher-than-expected competition; 3) high volatility in energy costs; and 4) changing legal policies both in Thailand and Myanmar.
Sappe	SAPPE TB	THB 72.25	BUY	Downside risks to our P/E-based TP include 1) lower purchasing power, 2) higher raw material and packaging costs, 3) Baht strength, and 4) increased competition and product infringement.

Source: FSSIA estimates

#### Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited.

All share prices are as at market close on 06-Sep-2024 unless otherwise stated.



## RECOMMENDATION STRUCTURE

### Stock ratings

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

**BUY (B).** The upside is 10% or more.

**HOLD (H).** The upside or downside is less than 10%.

**REDUCE (R).** The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

### Industry Recommendations

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

### Country (Strategy) Recommendations

**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral (N).** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight (U).** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.